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September 13, 2013

Wayne Barnett, Executive Director
Seattle Ethics & Elections Commission
PO Box 94729
Seattle, WA 98124

Re: *People for Ed Murray and Civic Alliance for a Sound Economy*

Dear Mr. Barnett,

I am writing on behalf of the McGinn for Mayor campaign to formally initiate an ethics-and-elections complaint regarding the campaign practices of two political action committees participating in the ongoing race for Mayor of Seattle: People for Ed Murray, and Civic Alliance for a Sound Economy (the political wing of the Seattle Chamber of Commerce). As this letter explains, the circumstances raise troubling questions about whether these PACs have broken the laws against earmarking and concealment. I respect the role that the Seattle Ethics and Elections Commission plays in determining whether there have been actual violations of campaign-disclosure laws. I urge the SEEC to investigate.

The Voters Depend On Full Disclosure

For elections to be fair and transparent, the financial backers of political campaigns must be fully disclosed to the voters. Full disclosure has become particularly important in this age when large corporations have few restrictions on the amount of money they can spend. Our campaign-disclosure laws enable the voters to ask critical questions: What policy of the candidate might the contributor support? What are the interests of the contributor in the election's outcome? Can this political advertising be trusted in light of who is bankrolling it? If a financial backer attempts to conceal their identity, an even more-urgent question arises: Why hide, instead of proudly announcing their support? What could it be that the contributor doesn't want the voters to know? Consistent with these principles, it is fundamental public policy that "political campaign contributions and expenditures be fully disclosed to the public and that secrecy in the sources and application of such contributions be avoided." SMC 2.04.150; *accord* RCW 42.17.001(1).

Corporate Backers of Ed Murray May Have Hidden the Extent of Their Support

The evidence indicates that financial supporters of Senator Ed Murray's campaign and its two supporting PACs may have colluded to deliberately conceal information from Seattle voters, in violation of the letter and spirit of our campaign laws. Consider the following events:

- On October 5, 2012, the Seattle Chamber of Commerce registered Civic Alliance for a Sound Economy (“CASE”) with the State. However, CASE failed to register with the Seattle Ethics and Elections Committee (“SEEC”).
- On June 4, 2013, a political consultant registered the People for Ed Murray PAC (“PEMPAC”) with the SEEC.
- After PEMPAC formed, CASE received large contributions from Vulcan Inc (\$15,000 on July 25), RC Hedreen (\$10,000 on July 31), and City Investors LLC, a Vulcan subsidiary (\$5000 on August 6). Earlier contributors to CASE included Comcast Cable (\$5,000 on February 11), and Puget Sound Energy (\$5,000 on March 7).
- CASE, in turn, made large contributions to PEMPAC: \$25,000 on July 16, \$10,000 on July 31, and \$17,500 on August 2.
- Relying on funds received from CASE, PEMPAC produced a series of mailers supporting Ed Murray’s candidacy, which were distributed to Seattle voters in the weeks leading up to the August primary.

What motivation would supporters of Ed Murray have had to funnel money from one PAC to the other? As you know, the Seattle Elections Code requires that all political advertising by a PAC identify the PAC’s “Top Five contributors.” SMC 2.04.290(B)(2). PEMPAC’s advertising during the primary election identified its “Top 5 contributors” as: “Washington Conservation Voters, Gay and Lesbian Victory Fund, N.A.I.O.P. WA PAC, Civic Alliance for a Sound Economy (CASE), and Judith Bendich.” By taking money through CASE instead of directly from corporate donors, PEMPAC could avoid association with the large corporations that were the true source of its funds. (These would have included several companies with various local interests: Vulcan, a developer; Hedreen, a developer; Puget Sound Energy; and Comcast.) Voters also would have found it more difficult to follow the money. Voters would need to search two separate sets of disclosure reports in order to trace the CASE money to the true backers of Ed Murray’s candidacy. In the days leading up to the primary election, disclosure of these significant financial backers on campaign mailings would naturally have created questions in the minds of voters about why these various large corporations were choosing to support Murray’s campaign.

The interrelated leadership structures of CASE and PEMPAC certainly provided opportunities for collusion, if that is what happened. Maud Daudon, President of the Seattle Chamber of Commerce (which sponsors CASE), also serves as an officer of PEMPAC. In an article on August 20, 2013 published by *PubliCola*, George Allen, a senior vice president of the Chamber of Commerce and CASE campaign manager, is quoted as saying that CASE contributors “‘generally understand where the money is going’ — in this case, to Murray.” In fact, although CASE stated in its registration with the State that it was a continuing committee “not established in anticipation of any particular campaign election,” 85% of CASE’s expenditures to date consist of supporting Ed Murray in the Seattle Mayoral election; it has made only token contributions to other candidates.

City and State Laws Demand Greater Transparency

I direct the SEEC's attention to several city and state campaign-disclosure laws that are designed to foster greater transparency than what we have seen from CASE and PEMPAC, and which may have been violated here:

- SEEC Rule 6.F.: "An earmarked contribution shall be attributed to both the actual contributor and the conduit. All contributions made by a person or entity, either directly or indirectly, to a candidate or to a political committee, are considered to be contributions from that person or entity to the candidate or political committee, as are contributions that are in any way earmarked or otherwise directed through an intermediary or conduit to the candidate or political committee."
- RCW 42.17A.435: "No contribution shall be made and no expenditure shall be incurred, directly or indirectly, in a fictitious name, anonymously, or by one person through an agent, relative, or other person in such a manner as to conceal the identity of the source of the contribution or in any other manner so as to effect concealment."
 - As you know, a "person" is defined to include a "public or private corporation" and a "political committee." RCW 42.17A.005(35).
- RCW 42.17A.470(1): "A person, other than an individual, may not be an intermediary or an agent for a contribution."

Campaign-disclosure laws are to be "liberally construed to promote complete disclosure of all information respecting the financing of political campaigns so as to assure continuing public confidence of fairness of elections, and so as to assure that the public interest will be fully protected." SMC 2.04.150.

These Political Players Have Skirted Campaign-Disclosure Laws Before

My suspicions have aroused in particular because of who is involved. Notwithstanding its obvious intention and purpose of influencing the Seattle Mayor's race, the Chamber of Commerce ignored the registration and reporting requirements of the Seattle Elections Code. SMC 2.04.160 requires that PACs file a statement of organization with the City Clerk "within two weeks after the date when they first have the expectation of receiving contributions or making expenditures in any election campaign," and to file regular financial disclosure reports thereafter. Although CASE began making expenditures in the mayoral election campaign by July 16, and presumably had prior expectation that it would do so, it did not file any registration or disclosures with the City until September 12, 2013, well after the primary election had been decided. CASE violated the law.

PEMPAC's advisers include Moxie Media. Moxie has a history of violating campaign ethics laws by moving money among shell committees and hiding donor identities from the public. See <http://tinyurl.com/oyo8d5t>. Although it recently received one of the largest ethics fines in state history, \$290,000, for this type of activity, it has remained unapologetic: "Political shenanigans have been around since the beginning of time," its principal explained. "It's what political consultants do. They work right up to the edge of the law. It's an industry built on that." *Id.*

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Seattle voters are entitled to know who paid for the political advertising they see. They have the right to ask questions about the candidates who aspire to be their mayor. Machinations to obscure the sources of campaign contributions from the public should not be tolerated.

I request that your investigation review the issues cited in this complaint and any other elections violations you may discover in the course of your review.

Sincerely,

A handwritten signature in blue ink, appearing to read "Gary W. Manca", with a long horizontal flourish extending to the right.

Gary W. Manca
Attorney at Law